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SUBJECT: DRS. WATSON AND DIXON ENGAGE GOI IN PREPARATION FOR SECOND
MAJOR ECONOMIES MEETING

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¶1. SUMMARY: Drs. Harlan Watson and Robert Dixon met with representatives of the Government of India (GOI) to discuss preparations for the upcoming Second Major Economies Meeting (MEM2) scheduled for January 30-31 in Honolulu, Hawaii. The GOI was represented by officials from the Ministry of External Affairs (MEA), Ministry of Environment and Forests (MoEF), the Ministry of Power's Bureau of Energy Efficiency (BEE), as well as the GOI's senior advisors to the Prime Minister on climate change. The meeting resulted in a frank and friendly exchange of ideas and suggestions for MEM2 ranging from the organization of the meeting to the issues that need to be addressed with the GOI focused primarily on technology transfer. END SUMMARY.

¶2. In an extensive two and a half hour lunch meeting on January 16, Drs. Watson and Dixon sought out India's suggestions for all aspects of MEM2 in a successful effort to address concerns and demonstrate the USG's desire to make the MEM process inclusive. They met with GOI representatives including:

- Meena Gupta, Secretary, MoEF;
- Manjeev Puri, Joint Secretary, United Nations Economic & Social Affairs, MEA;
- J.M. Mauskar, Additional Secretary, MoEF;
- Dr. Prodipto Ghosh, Distinguished Fellow, The Energy and Resources Institute (TERI) and special advisor to the Prime Minister on Climate Change;
- Ambassador Chandrashekher Dasgupta, Distinguished Fellow, TERI, and special advisor to the Prime Minister on Climate Change;
- Ajay Mathur, Director General, BEE; and
- Indra Mani Pandey, Deputy Director Americas, MEA

Manjeev Puri confirmed India's participation in MEM2 and stated that in addition to himself, the delegation would consist of Dr. R. Chidambaram, Principal Scientific Advisor to the Prime Minister and Leader's Representative, as well as Ambassador Dasgupta, Dr. Ghosh, and J.M. Mauskar.

SHAPING MEM2: GOI SUGGESTIONS AND CONCERNS

¶3. TRANSPARENCY: Ambassador Dasgupta indicated India would very much like to see an enhanced degree of public transparency with

opening and closing sessions open to the press in which each country could make its own statements. Dr. Dixon informed him the USG shares the GOI's interest in transparency and openness and that while the intent of closed-door sessions is to create an atmosphere of intimacy and closeness without noise competition from the press, the possibility of allowing press in an adjacent listening room has been explored and remains open. Ambassador Dasgupta asked if all the sessions would be open to the press via the listening room and expressed surprise when informed that was also a possibility.

14. STRICT ADHERENCE TO THE UNFCCC PROCESS: There was broad consensus from the GOI that the discussion at MEM2 should follow the Bali Action Plan. Specifically, Dasgupta indicated the wording of all agenda items should reflect as closely as possible the language of the Bali Action Plan. He also stated that discussion of national plans to combat climate change should reflect the differentiation between developed and developing countries in accordance with Bali and that a major topic of discussion should be how the MEM can contribute to the UNFCCC process. Dr. Dixon informed the group the MEM is designed to feed into the UNFCCC process and that it is not in competition, but complimentary. He noted MEM member countries have many common interests including energy security, growing their respective economies, and protecting the environment and that the USG would like to see India and all member countries take a consensus approach to moving forward with the MEM. Dr. Watson concurred and noted the UNFCCC needed to be strengthened and that the MEM process could and should be used to do so.

15. MANAGING THE DISCUSSION: The GOI expressed concern regarding how the discussion would be managed and was informed that the USG was striving for an intimate, business-casual environment designed to stimulate a free-flowing dialog in which the best ideas would be allowed to bubble to the top. This was met with great enthusiasm by Manjeev Puri who stated he was very happy with the idea of encouraging the free flow of ideas. He cautioned however that MEM2 was not a brainstorming session but rather more in the nature of

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inter-governmental negotiations. He expressed a strong preference for a large table discussion in order to put forth ideas that are representative of a nation's government as a whole. In addition, Dasgupta expressed a desire to have a Chairman's Summary and sufficient time to reach agreements on it's contents.

16. SPEAKERS: Puri also indicated dissatisfaction with having speakers at MEM2 that had spoken at the first MEM in Washington. He stated all participants were already familiar with the issues and he saw little value in listening to the same information. Dr. Dixon informed him that there was still time before MEM2 to invite other speakers if the GOI so desired. The GOI representatives did not offer any suggestions.

17. MAJOR ECONOMIES, NOT MAJOR EMITTERS: Ambassador Dasgupta insisted that all parties must stick to accepted nomenclature and avoid any reference to the term "major emitters." This was a critical issue for the GOI and both Dasgupta and Puri firmly stated they wanted the USG to sensitize all parties as it would lead to "unnecessary controversy" if it did not. Puri noted this was not the first time the GOI had raised the issue but that the USG had used the term after both Bali and MEM1. He stated that if the USG was looking for long-term cooperative action from India, it must be sensitive to this issue.

18. TECHNOLOGY TRANSFER AND RESOURCES: The issues of cooperative technology development and clean technology transfer emerged as the greatest concerns of the GOI for MEM2. Ajay Mathur, Dr. Ghosh, Puri, and Dasgupta all raised it and all stressed they wanted to see strong movement on the issue during MEM2. Puri noted the availability of resources to combat climate change will be critical and that the United States is "obviously the natural leader." He stated MEM2 should focus on what can be done in hard, practical terms. Dasgupta went further and inquired whether technology transfer couldn't be handled bilaterally in order to speed the process. Dr. Dixon responded by noting President Bush has put the clean technology fund in the budget and that the Department of Treasury was working the issue. This elicited a stream of questions

on the size of the fund, its uses, whether it would be dispersed via grants or another mechanism, and whether it could be used for collaborative research and development. Dr. Dixon responded stating the fund was still a work in progress but that it was focused on the diffusion of clean technology.

¶9. NO TALK OF TARIFFS: Ambassador Dasgupta took issue with the idea of including a discussion of tariff and non-tariff barriers to the transfer of clean technology. He stated it was a WTO issue and that it shouldn't be on the agenda. Dr. Dixon agreed that while tariffs are in fact a WTO issue, it was put on the agenda in order to facilitate discussion of how to remove barriers to the transfer of environmental products and clean technology which will be a critical tool in combating climate change. While Dasgupta agreed technology transfer was vitally important, a discussion of tariffs at MEM2 would be too difficult and that it was not the proper venue.

¶10. SECTORAL APPROACH: Dr. Dixon raised the concept of addressing climate change issues via a sectoral approach with focus on individual sectors such as the steel industry or the cement industry. He noted a growing enthusiasm for the concept and stated it seemed a natural way to organize a national climate plan. Dasgupta stated the GOI sees the sectoral approach as useful in creating harmonized standards but did not go further. Puri pointed out that none of the sectors are autonomous and that all come back to the need for clean technology transfer which needs to be deployed as quickly as possible. Although unwilling to talk about tariffs, Puri was quick to point out Intellectual Property Rights (IPR) issues should not slow down or hinder clean technology transfer.

¶11. FORESTRY AND LAND USE PLANNING: Puri raised the issue and stated he would like to see conservation of forests and combating deforestation managed in tandem. Dr. Ghosh inquired as to the USG position on positive incentives to combat deforestation. Dr. Watson noted problems with how land use was treated in the Kyoto Protocol and stated there was a sense that forests should be looked at in a much broader context but that when it came to positive incentives, the discussion always comes down to money and the opportunity costs

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associated with deforestation. Puri stated that if the United States can't provide positive incentives nobody else can. Dr. Watson stated limited positive incentives may be available but that it was not politically sustainable in the long-term.

¶12. CONCRETE OUTCOMES AND LEADER'S REPS: The GOI representatives were unanimous in their desire to see solid, practical outcomes from the MEM process. Puri stated the GOI would like to focus on how, what, and where it can contribute and that he didn't want to come back from Honolulu and inform his colleagues that he had "just attended a meeting." Dr. Dixon stated the USG shared the same feeling and wanted to focus on worthwhile outcomes and products. He went on to explain that the MEM process was geared to do just that and was distinct from other processes in that the Leaders Representatives speak for the head of state and are empowered to enter into a different realm of discourse as well as make decisions on real constructs that can solve problems. He noted the USG was sending its senior representatives to MEM2 in the form of CEQ Chairman James Connaughton and Deputy National Security Advisor for International Economic Affairs Dan Price, both of whom personally represented President Bush, and encouraged the GOI to send similarly empowered senior leaders as well. Despite his insistence on obtaining concrete outcomes, Manjeev Puri made it clear the GOI's leader representative was only the leader of the delegation.

¶13. LONG-TERM GLOBAL GOAL: Ambassador Dasgupta said the development of a long-term global goal for reduction of green house gases (GHGs) in accordance with national needs is critical and should be addressed at MEM2. However, he stated it was premature to arrive at a figure and that all parties need to look at stabilization of GHG levels in the context of better scientific understanding as well as costs. He suggested focusing on the process of developing a long term global goal as opposed to the goal itself. Puri noted the GOI was interested in USG views of a long-term global goal and stated the GOI view was well known and was

not going to change.

¶14. COMMENT: The GOI will continue to support the MEM process in the hopes of obtaining clean technology at low or no-cost. Considering Puri's statement regarding the leader's rep being only the representative of the delegation, it would not appear the GOI is ready to enter into any type of commitment at MEM2. However, any doubts the GOI had regarding the MEM Process and the USG commitment to it were eliminated by the conviction displayed by Drs. Dixon and Watson who were very open to suggestions on all aspects of the MEM and made it clear the USG wanted the process to be inclusive. The representatives of the GOI were impressed by their willingness to listen. This resulted in a robust discussion that will go a long way to securing GOI buy-in at MEM2. END COMMENT.

¶15. This cable has been cleared by Harlan Watson and Robert Dixon.

MULFORD